

Message Text

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ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 NSA-01 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 SS-15 /071 W

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R 051247Z MAY 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 6854

C O N F I D E N T I A L TEHRAN 4555

E.O. 11652: GDS

TAGS: ETRD, EFIN, IR

SUBJ: POLICY ON EXIMBANK ACTIVITES IN IRAN

REFS: (A) TEHRAN 1403,(B) STATE 49591,(C) STATE 89750,
(D) TEHRAN 3977

1. THE NEED FOR NAC ACTION TO DETERMINE USG POLICY ON EXIMBANK ROLE IN IRAN, SUGGESTED IN REF B, IS BECOMING INCREASINGLY UNTENABLE AND POSES INCREASING QUESTION OF GOOD FAITH ON PART OF USG WITH IRAN. OFFICIAL INTEHRAN'S BANK OF AMERICA REPRESENTATIVE OFFICE INFORMED US THAT EXIMBANK OFFICIAL RECENTLY TOLD A US FIRM WHICH HAS MADE APPLICATION FOR A PRELIMINARY COMMITMENT(PC) THAT "FOR REASONS IT CONNOT DISCLOSE" EXIMBANK CANNOT PROCESS PC'S NOR CAN IT MOVE ON A CONVERSION OF AN ALREADY APPROVED PC TO A FIRM UNDERTAKING FOR LOANGUARANTY.

2. THE PARTICULAR PROJECT CONCERNED IS THE QOM-BANDAR SHAHPOUT ROAD PROJECT, WHICH HAS BEEN AWARDED TO MORRISON-KNUDSON AND A FRENCH GROUP. TI IS DEPENDENT UPON THE CONSTRUCTION CONTRACTING FIRMS OBTAINING EXTERNAL COST FINANCING AND, AS DETAILED IN REF D, SOME \$90 MILLION WILL BE SOUGHT FROM EXIMBANK. WE HAVE GIVEN CONSIDERABLE TIME AND EFFORT OVER RECENT YEARS TO THIS PROJECT AND FAILURE OF THIS AND OTHER CONTRACTS NOW BECAUSE OF ANY MISREPRESENTATION BY EXIMBANK TO IRAN AND US FIRMS COMPETING FOR BUSINESS HERE WOULD OBVIOUSLY BE UNWELCOMED AND PROVE DAMAGING TO

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OUR FUTURE COMMERCIAL PROSPECTS, ESPECIALLY GIVEN FACT THAT GOI

IS NOW ON A CREDIT BASIS(SEE TEHRAN 3537). WHILE NUMEROUS POTENTIAL US EXPORTS, MANY PROJECT-RELATED, ARE CURRENTLY MENTIONED WITH ASSUMPTION OF EXIMBANK'S PARTICIPATION, PRINCIPAL ONES ARE: PC ALREADY ISSUED FOR \$31 MILLION FOR BECHTEL CORP. FOR STATE RAILWAYS OVERHAUL FACILITY; AFOREMENTIONED \$90 MILLION PC APPLICATION FOR M-K ROAD CONTRACT;\$40 MILLION OF A \$100 MILLION LOAN CURRENTLY PENDING AT MINISTRY OF INDUSTRY AND MINES BY EUROPEAN-AMERICAN BAKN FOR PLYACRYL(DUPONT JOINT VENTURE); AND UNKNOWN AMOUNT IN CITIBANK-PROPOSED \$350 MILLION SYNDICATION FOR NATIONAL IRANAIN GAS COMPANY PRESENTED TO NIGC MAY 3. ADDITIONALLY, AND WITH RECONGIZED DISTINCT FACTORS, IS INTENTION OF IRAN AIR TO PRESS FOR EXIMBANK FINANCING FOR B-747'S (REF C).

3. GIVEN 1) IRAN'S SWITCH FROM CASH TO CREDIT TERMS DUE TO ITS ALTERED FINANCIAL POSITION FROM CAPITAL SURPLUS TO DEFICIT (BUDGETARY AND BALANCE OF PAYMENTS), 2) EXIMBANK'S NUMEROUS RECENT VISITS TO IRAN STIMULATING BUSINESS, AND, 3) THE LINKAGE OF US COMMERCIAL PROSPECTS HERE TO EXIMBANK'S ABILITY TO SUPPORT US SALES, IT IS MORE THAN EVER IMPERATIVE THAT A CLEAR, CONSISTENT POLICY ON FINANCING/GUARANTY TO IRAN BE REFLECTED BY EXIMBANK. THUS, EMBASSY REQUESTS SOONEST POSSIBLE CLARIFICATION OF THIS POLICY, OR, IF OTHER ISSUES ARE IMPINGING ON THIS DETERMINATION, ISNTRUCTIONS AS TO HOW EMBASSY MAY AFFECT ENVIRONMENT FOR POLICY DETERMINATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, CONSTRUCTION, CREDIT PROGRAMS, HIGHWAYS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TEHRAN04555
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760174-0106
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760586/aaaacwdj.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 TEHRAN 1403, 76 STATE 49591, 76 STATE 89750
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2004 by SmithRJ>; APPROVED <04 OCT 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POLICY ON EXIMBANK ACTIVITIES IN IRAN
TAGS: ETRD, EFIN, IR, US, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006